

July 25, 2001

**MCLEODUSA TELECOMMUNICATIONS,
SERVICES, NC**

Petition for Finding of Public
Convenience and Necessity to
Provide Facilities-Based and Resold
Local Exchange and Facilities-Based and
Resold Interexchange Service

**ORDER GRANTING AUTHORITY
TO PROVIDE RESOLD LOCAL
EXCHANGE SERVICE AND FACILITIES-
BASED INTEREXCHANGE SERVICE
AND APPROVING SCHEDULE OF
RATES AND TERMS AND CONDITIONS**

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

In this Order, the Commission grants McLeodUSA Telecommunications Services, Inc. (McLeodUSA or Company) the authority to provide: (1) resold competitive local exchange service in Verizon-Maine's service area; and (2) facilities-based interexchange service in the State of Maine. The Commission also approves the Company's Terms and Conditions and Rate Schedules. We also exempt McLeodUSA from the requirements of Chapter 210, *Uniform System of Accounts*, and of 35-A M.R.S.A. §§ 707 and 708, subject to the conditions described below.

I. APPROVAL OF APPLICATION TO SERVE

On April 3, 2001, pursuant to 35-A M.R.S.A. §§ 2102 and 2105, McLeodUSA filed a petition with the Commission requesting authority to provide resold local exchange telephone service in Maine as well as facilities-based interexchange service.¹

Before we grant approval under section 2102 for another public utility to provide service, 35-A M.R.S.A. § 2105 requires us to find that the public convenience and necessity require another utility to provide service in a location where utility is already authorized to provide, or is providing, the same or similar service.

47 U.S.C. § 253(a), enacted by the Telecommunications Act of 1996, states:

(a) In General. No State or local statute or regulation, or other State or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate or intrastate telecommunication service.

47 U.S.C. § 253(b) states, however:

(b) State Regulatory Authority. Nothing in this section shall affect the ability of a State to impose, on a competitively

¹ McLeod USA was previously authorized to provide resold interexchange telecommunications services in Maine pursuant to Docket No. 96-730.

neutral basis and consistent with section 254, requirements necessary to preserve and advance universal service, protect the public safety and welfare, ensure the continued quality of telecommunications services, and safeguard the rights of consumers.

We find that granting McLeodUSA the authority to provide local exchange and interexchange services in Maine will not impede the preservation or advancement of the public interest goals or policies stated in section 253(b).

McLeodUSA's application provides reasonable information indicating that its financial and management capabilities are adequate to provide local services in Maine.

II. SERVICE TERRITORY

A. Resold Local Service

McLeodUSA has also requested authority to provided resold local exchange service throughout the state. McLeodUSA states that it will offer service as a reseller of local exchange service provided by other authorized local exchange carriers (LECs). We define local resale as the offering of local exchange service purchased from another competitive local exchange carrier (CLEC) pursuant to 47 U.S.C. § 251(b)(1) or from an incumbent local exchange carrier (ILEC) at a wholesale discount pursuant to 47 U.S.C. § 251(c)(4). The purchase of unbundled network elements from an ILEC and their use in providing local exchange service is facilities-based service and is not resale.

If McLeodUSA wishes to expand its authority to include facilities-based local exchange service area in the future, it shall seek such approval pursuant to 35-A M.R.S.A. § 2102, requesting the Commission to amend this Order. Any such request must specify the exchanges where it proposes to offer service and include information establishing a readiness to provide facilities-based local exchange service within six months in the specifically identified areas.

B. Interexchange Service

McLeodUSA has requested authority to provide facilities-based interexchange service throughout the state. We grant that authority.

III. APPROVAL OF TERMS AND CONDITIONS AND RATE SCHEDULES

We allow the terms and conditions proposed by McLeodUSA to go into effect. McLeodUSA has used the Commission's standard terms and conditions that comply with Maine law and the Commission's Rules. We have reviewed the Company's terms, conditions and rate schedules, and they appear to comply with Maine law and the Commission's Rules. Nevertheless, if there is any conflict between a provision in McLeodUSA's terms and conditions and the Commission's Rules or a statute, the rule or

statute will control. Included in the Terms and Conditions is a provision stating that in the event of such a conflict, the statute or the Commission's rule will control.

In general, the Commission believes that a competitive telecommunications market results in services and rates that benefit the public. We believe that the acceptability of McLeodUSA's services and rates in the market place provides an adequate test of the reasonableness of the Company's rates. Accordingly, we allow the rates proposed by McLeodUSA to go into effect.

IV. INTERCONNECTION AGREEMENT(S)

In order to provide local exchange service, a competitive local exchange carrier must, as a practical matter, obtain an interconnection agreement with the ILEC(s) providing service in any area where it intends to provide service. In the absence of such an agreement, it will not be possible for McLeodUSA's customers to call customers of the ILEC(s), and vice versa. Interconnection agreements are governed by 47 U.S.C. § 252, and must be approved by this Commission.

If a CLEC makes a bona fide request for an interconnection agreement with an ILEC that is a "rural telephone company" as defined in 47 U.S.C. § 153(37), the "rural exemption" of 47 U.S.C. § 251(f) will apply. All of Maine's independent incumbent local exchange carriers are "rural telephone companies." A rural telephone company is not required to negotiate an interconnection agreement or provide interconnection until after the Commission, pursuant to 47 U.S.C. § 251(f)(1)(B), finds that the requirement "is not unduly economically burdensome, is technically feasible, and is consistent with [the universal service provisions of] section 254"

If McLeodUSA executes an interconnection agreement(s) with and ILEC(s), it shall obtain approval of that agreement by this Commission.

V. PAYMENT OF ACCESS CHARGES

Our approval of McLeodUSA's application to provide interexchange service in Maine is conditioned on the payment of access charges to local exchange carriers (LECs) who have on file with the Commission approved access charge rate schedules. The Commission has now granted authority to McLeodUSA to provide interexchange service both as a facilities-based carrier and, in a previous Docket, as a switchless reseller.² If McLeodUSA provides facilities-based interexchange service, it must pay access charges directly to local exchange carriers. However, switchless resellers do not pay access charges to local exchange carriers. Instead, access charges are paid by an

² We define switchless resellers as entities which do not own, lease, or control any switching facilities, or private lines, that it will use to provide telecommunication services in Maine. A reseller who owns a switch in another state, and plans to use that switch to switch or carry Maine traffic, is a switched reseller. A reseller who does not own facilities in Maine or any other state, or who owns facilities in another state but does not plan to use that switch to carry Maine traffic, is a switchless reseller.

underlying facilities-based interexchange carrier. When McLeodUSA is providing service as a switchless reseller, its underlying facilities-based carrier must continue to pay the access charges.

VI. WAIVERS; REPORTING REQUIREMENTS

As a condition of providing local exchange service, McLeodUSA must comply with the terms of any applicable Commission orders or rules that may govern local interconnection and compensation for interconnection. McLeodUSA shall also comply with any applicable Commission Rules or orders that govern universal service, public safety and welfare, service quality and consumer rights.

The Commission grants McLeodUSA a waiver from the requirements of Chapter 210 of the Commission's Rules, which governs telephone utility accounting, and from 35-A M.R.S.A. §§ 707 and 708, which govern reorganizations and affiliated interests. Because McLeodUSA's rates and operations are likely to be subject to market forces, we do not see any present need to subject the Company to those requirements. However, McLeodUSA must report its annual intrastate gross operating revenues and its annual intrastate minutes for use for the purpose of determining its regulatory assessment and such other information requested by the Commission.³ If McLeodUSA resells service to other switched or switchless telephone service providers, the Company must maintain its records so that it may separately identify those sales.

In addition, McLeodUSA shall inform the Commission of any changes to its corporate structure and ownership and of any changes in the name under which it does business, as set forth in Ordering Paragraph No. 3. If necessary, it shall also refile its rate schedules and terms and conditions to reflect its new identity

VII. OTHER REQUIREMENTS

McLeodUSA shall comply with all applicable rules of the Commission and statutes of the State of Maine.

VIII. ORDERING PARAGRAPHS

Accordingly, we

1. Grant, pursuant to 35-A M.R.S.A. §§ 2102 and 2105, the request of McLeodUSA to provide resold local exchange service in Verizon-Maine's service area and facilities-based interexchange service throughout the State of Maine;

2. Exempt McLeodUSA from the requirements of Chapter 210 of the Commission's Rules, except that it must report the revenue and minutes of use information that is requested by the Commission, on or before April 1 of each year; and

³The Commission mails the annual reporting forms to carriers in January of each year. The completed forms are due by April 1 of each year.

3. Exempt McLeodUSA from the approval requirements of 35-A M.R.S.A. §§ 707 and 708, provided that McLeodUSA shall notify the Commission of any reorganization, as defined in 35-A M.R.S.A. § 707(1)(A), that results in a merger, sale or transfer of a controlling interest of McLeodUSA or of any entity that owns more than 50% of McLeodUSA. McLeodUSA shall also provide notice of any other changes in the name under which it does business (d/b/a), any change of the location of its business office, and any change of its contact person. McLeodUSA shall provide the Administrative Director of the Commission with notice of any of the changes described within 30 days following the change. If necessary, McLeodUSA shall amend its rate schedules and terms and conditions to reflect any change in identity.

4. Order that McLeodUSA's proposed terms and conditions and rate schedules (pages 1-80), attached to this Order, shall be effective on the date of this Order.

5. Order that McLeodUSA, or an underlying facilities-based interexchange carrier authorized to provide interexchange service in Maine, shall pay interexchange access charges as required approved access rate schedules filed by local exchange carriers.

6. Order that McLeodUSA shall comply with all applicable rules of the Commission, including the requirement of Chapter 280 § 10 that interexchange carriers provide notice to all affected customers of an increase to any rate that is greater than 20%.

Dated at Augusta, Maine this 25th day of July, 2001.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch

Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.